

9M 2008 IFRS Results

Mr. Artem Konstandian, First Vice-President

Ms. Alexandra Volchenko, Senior Vice-President, CFO

- ❏ This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements which reflect Promsvyazbank's ("PSB") current views and estimates. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond PSB's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, foreign exchange fluctuations, the actions of government regulators and weather conditions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. PSB does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.
- ❏ PSB has obtained the information in this presentation from sources it believes to be reliable. Although PSB has taken all reasonable care to ensure that the information herein is accurate and correct, PSB makes no representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information. Furthermore, PSB makes no representation or warranty, express or implied, that its future operating, financial or other results will be consistent with results implied, directly or indirectly, by such information or with PSB's past operating, financial or other results. Any information herein is as of the date of this presentation and may change without notice. PSB undertakes no obligation to update the information in this presentation. In addition, information in this presentation may be condensed or incomplete, and this presentation may not contain all material information in respect of PSB.
- ❏ This presentation does not constitute or form part of any offer to sell, or the solicitation of an offer to purchase or subscribe form, any securities, and should not be relied upon in connection with any contract or investment decision relating thereto.
- ❏ This presentation is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any securities to which this presentation may relate will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this presentation or any of its contents.
- ❏ Nothing in this document constitutes an offer of securities for sale in the United States or any other jurisdiction. Under no circumstances shall the information presented herein constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever. This document is not intended to be an offering document, and, if at any time there should commence an offering of securities, any decision to invest in any such offer to subscribe for or acquire such securities must be based wholly on the information contained in the final offering circular issued or to be issued in connection with any such offer and not on the contents hereof. The information in this presentation is based upon PSB's management information and forecasts and reflects prevailing conditions and management's views as of this date, all of which are subject to change.
- ❏ These materials and the information herein are not a public offer or advertisement of securities in Russia, and are not an offer, or an invitation to make offers or to purchase, sell, exchange or transfer any securities in Russia, and do not constitute an advertisement of securities in Russia.
- ❏ Unless specified otherwise, the data contained in this presentation is sourced from PSB preliminary IFRS financial statements for the first nine months of 2008.

H2 2008 highlights

- July**
- Placement of US\$150mln senior Eurobonds
 - Reduction of H2 2008 business targets

- August**
- Increased volatility in the FX market
 - US\$70mln subordinated loan from the parent company
 - US\$280mln syndicated loan

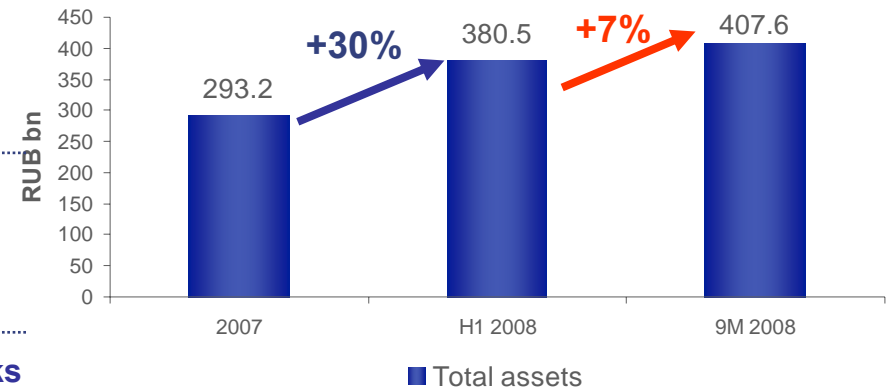
- September**
- US\$40mln subordinated loan from the parent company
 - Liquidity crunch: Drastic changes to business policy
 - Continuous decline in the securities markets

- October**
- Fitch changed rating outlook on 6 private Russian banks (incl. PSB) from positive to stable
 - S&P changed rating outlook on 13 private Russian banks (incl. PSB) from stable to negative
 - PSB acquired control over Yarsotsbank (1.7% of PSB's total assets, 11 points of sales in its home region)

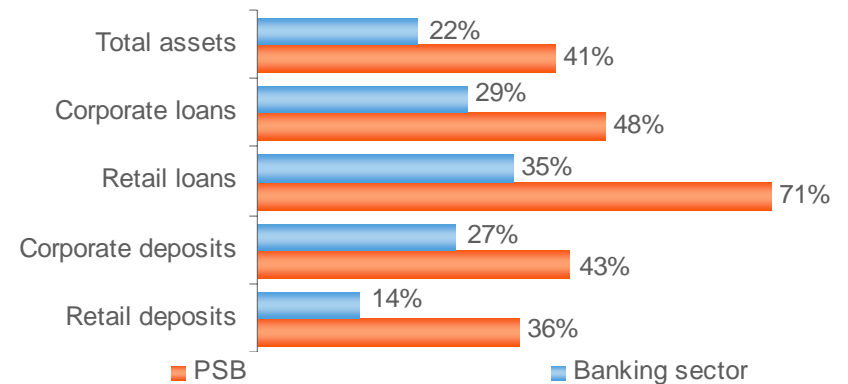
- November**
- PSB is about to acquire Nizhny Novgorod bank (1.3% of PSB's total assets, 12 points of sales in its home region)

- Network**
- During 9M 2008, the total number of outlets rose by 42 to 297
 - Since September, PSB has focused on increasing efficiency of existing outlets instead of further expansion
 - Planned network optimisation and cost cuts

Slowdown of PSB asset growth in H2 2008...

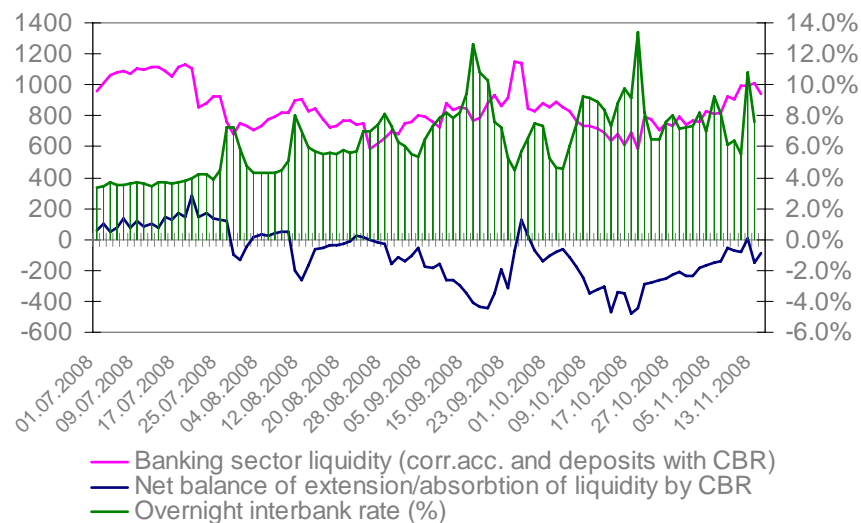


...but still outpacing the market

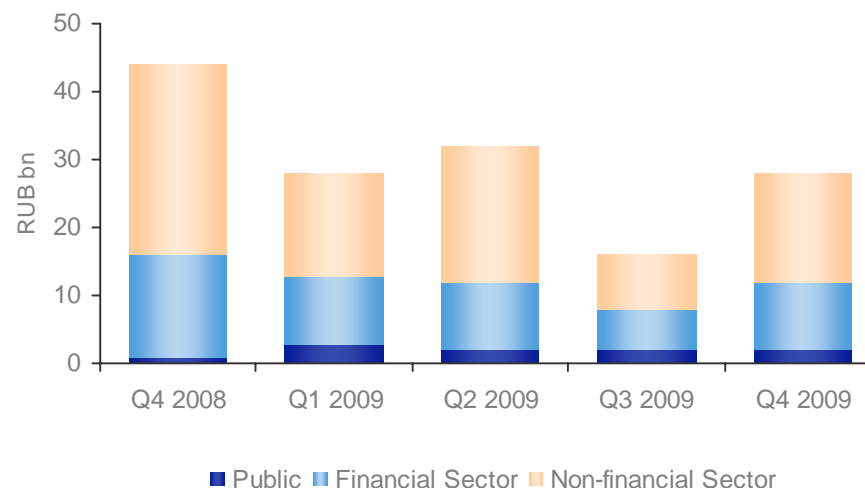


Sources: CBR, PSB RAS data

Banking sector liquidity



External debt repayments



- The IMF reduced its forecast for the Russian GDP growth in 2008 from 7.8% to 6.5% and in 2009 – from 6.5% to 3.5%
- Inflation forecast for 2008 increased from 10% to 14%
 - The actual CPI inflation rate for the first 10 months of 2008 was 11.6%
- FX reserves down by 22% (US\$129bn) from September to mid-November 2008
- US\$50bn net capital outflow in October 2008
- External corporate debt falling due within the next 12 months totals US\$118bn, incl. banks' debt of US\$46bn
- Repayment volumes peak in December 2008

INSTRUMENT	DESCRIPTION	EFFECT ON PSB
Uncollateralized loans	CBR provides such loans to eligible banks (rated B-/B3 or higher by one of the three major international rating agencies, BB-/B++ or above by the two qualified Russian rating agencies)	PSB has a credit line with CBR in the amount proportional to the size of PSB's capital under RAS
Collateralized loans	The CBR regulation adopted in 2007, Oct 2008 amendments simplified the procedure of accepting assets as collateral. Tenors up to 3 months	Additional credit limit which can be used flexibly (as the need arises)
Subordinated loans	<ul style="list-style-type: none"> • RUB 725bn to state-owned banks • RUB 225bn to private banks with a sufficient credit rating The amount of the loan is capped by the total of capital injections (either Tier 1 or Tier 2) from the shareholders received after 01/10/08	A new share issue of RUB4bn is underway, planned to be closed before YE 2008; plans to receive a subordinated loan from VEB of the same size
Placement of federal budget funds	Auctions by the Ministry of Finance started in the spring 2008, however, the amount of federal budget funds was increased in the fall. Expected to be replaced by CBR auctions in the future	PSB is one of the banks eligible to participate in the auctions
Lowered mandatory reserve requirements	The mandatory reserve ratio for all liabilities was reduced twice, to 0.5%	During the two decreases PSB received RUB 3.8 bn and RUB 1.9 bn, respectively
Raised limit on deposit insurance	The limit on deposit insurance is raised to RUB 700,000, full coverage	An overall positive effect on the sector through boosting depositors' confidence
Rescue of troubled banks	Loans to state-owned banks and corporations, as well as private banks, to take over failing banks	PSB has received financing from CBR to support the regional bank <i>Yarsotsbank</i> , and an agreement is being signed with the Deposit Insurance Agency to assist in acquiring control over Nizhny Novgorod bank

→ **Unprecedented and quick measures by the Russian financial authorities to support the liquidity of the banking sector**

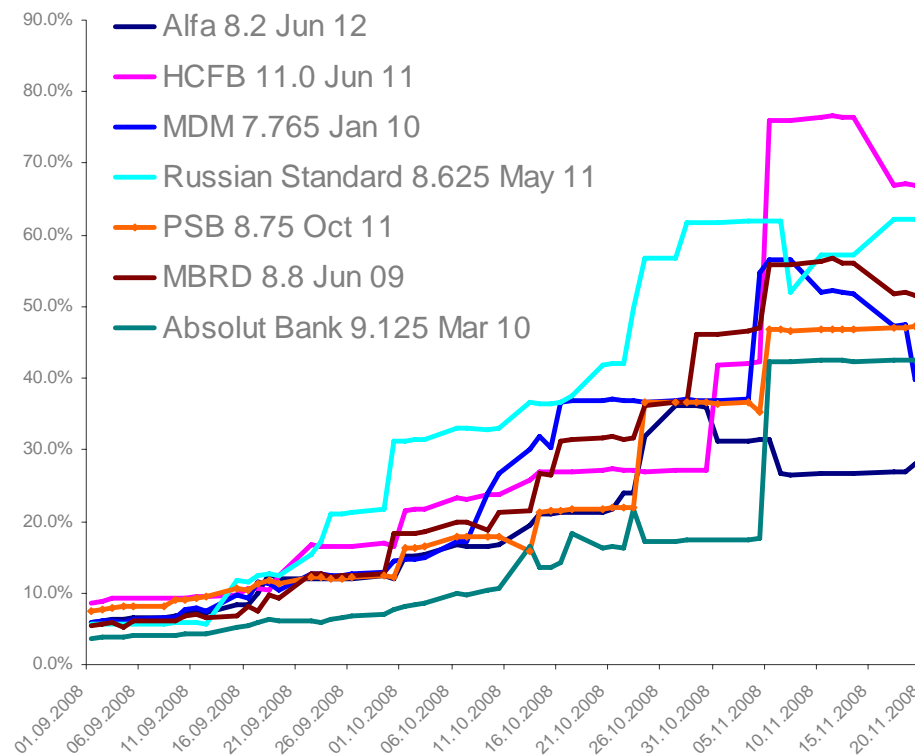
PSB response to the financial crisis



Measures implemented by PSB since mid-September

- Accumulating additional liquidity cushion
- Sharply reducing the loan growth
- Tightening loan underwriting standards, revising credit limits
- Changing the product mix in both corporate and retail lending
- Efficiency of the branch network and current staffing numbers under scrutiny
- Focusing on providing services to the key corporate clients
- Increasing interest rates on loans and deposits
- Revising fees and commissions
- Increasing the provision coverage of loans

Z-spreads of private Russian banks' Eurobonds

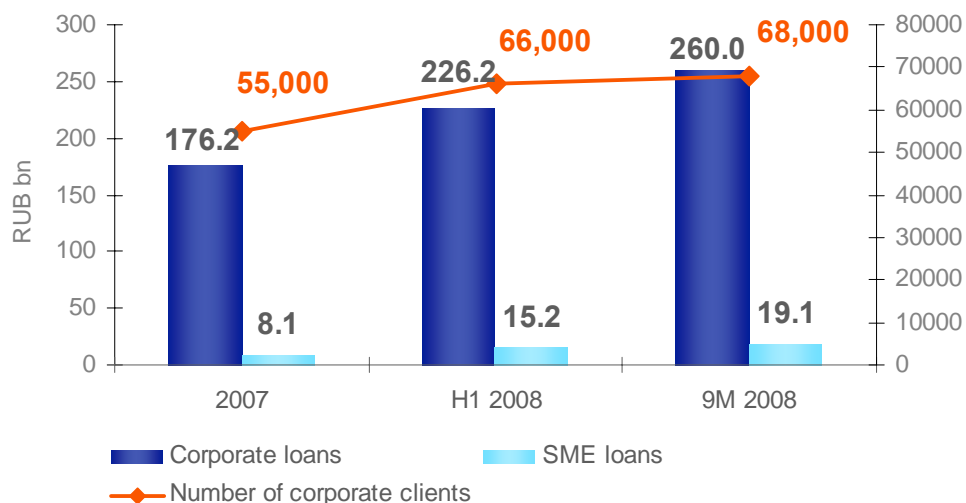


Source: Markit

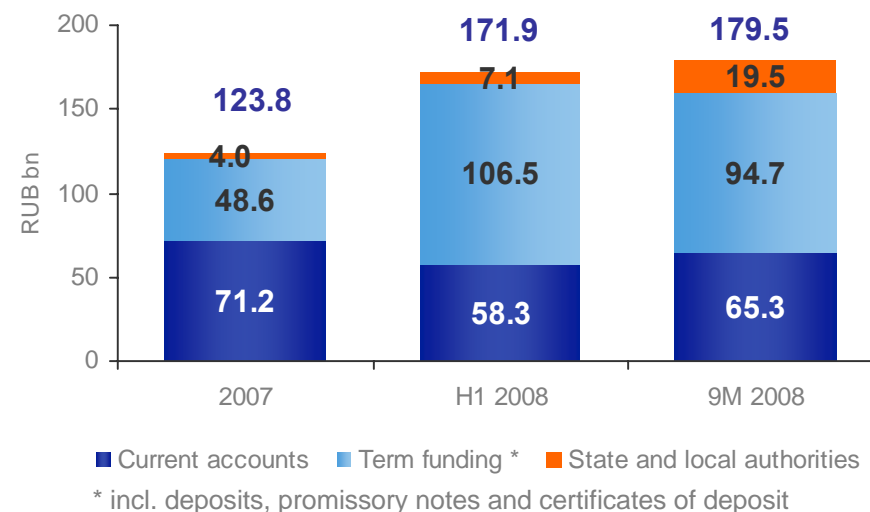
Corporate banking: an anchor in the storm



Corporate and SME loans

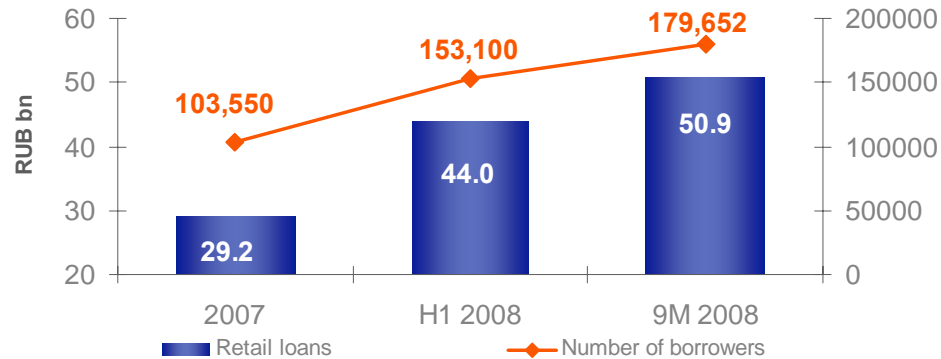


Corporate funding*

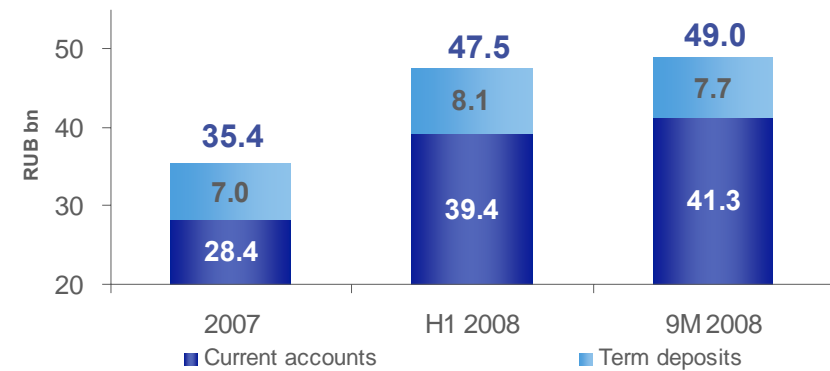


- In response to the crisis PSB has changed its credit policy, product mix and increased interest rates
- Since mid-September 2008 the lending product offering to corporate clients has been restricted to L/Cs, guarantees, factoring and overdrafts
- Shifting KPI of PSB client relationship managers from growth/volumes to asset quality/profitability (with particular attention to fee and commission income), as well as funding sourced from corporate clients
- The proportion of deposits from federal/regional budget funds and state corporations in the funding mix is rising, reflecting the effect of announced state support measures on PSB

Retail loans

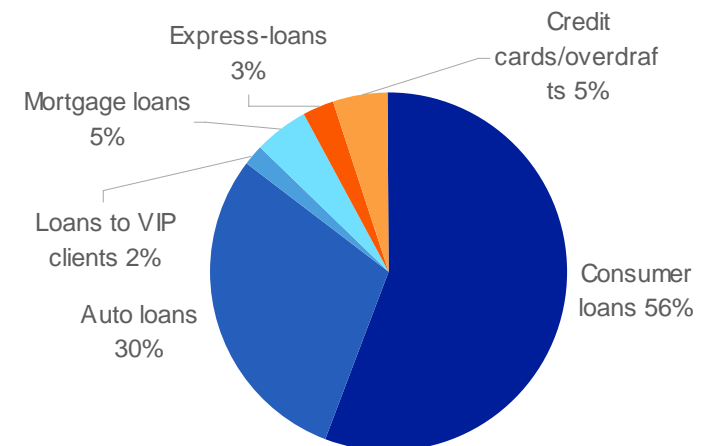


Retail deposits & current accounts

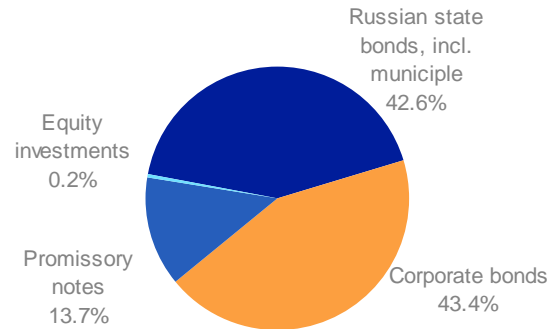


- Loans to individuals total US\$2 bn or 15% of gross loans
- New consumer loans are mainly provided as credit card loans to clients with good credit histories at PSB within customer loyalty programs
- Due to longer-term funding constraints in Q3 2008 PSB stopped issuing new auto loans; the proportion of mortgages is marginal
- Following a review of NPL trends in H1 2008, credit risk management in retail lending has been revamped, and further lending expansion restricted
- Nonetheless, in the short run PSB expects further rise of NPL due to an anticipated increase in social defaults as the economy slows down

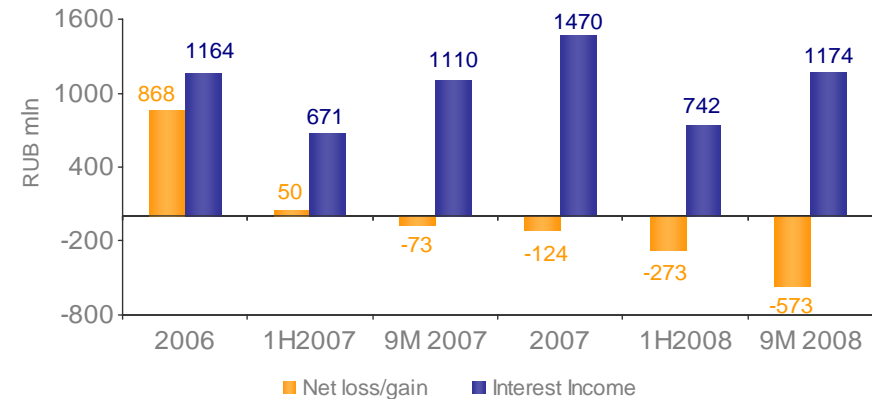
Retail loans: product split 9M 2008



Securities portfolio split



Securities book: reported losses vs interest income

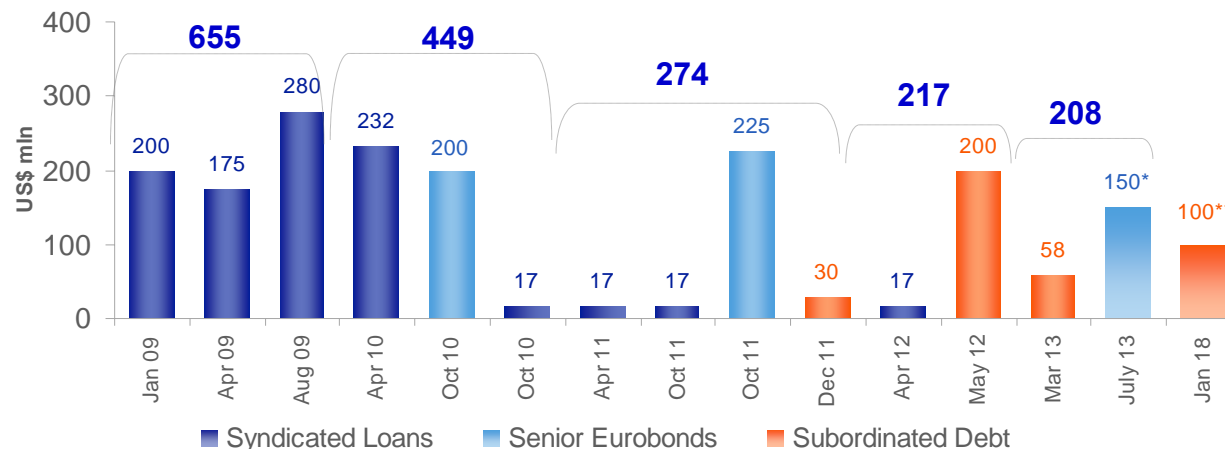


- Extremely unfavourable market conditions in Q3 2008
- MTM losses on securities represent a major negative P&L driver; however, overcompensated by interest income generated by PSB's securities portfolio
- 63% of the securities portfolio can be pledged with the CBR to receive cash under repo transactions
- The above breakdown refers to all securities held by PSB, incl. trading instruments and investments held to maturity
- During 9M 2008 PSB underwrote 23 corporate RUB bond placements and 2 CLN issues
- At 1 October 2008, PSB ranked No.10 bond arranger in Russia, according to Bloomberg
- Exposure to equity markets insignificant

Major bond placements in Q3 2008



Redemption schedule of international public borrowings



* Debt holders' put option in July 2011, ** PSB's call option in January 2013

- Despite the tough market conditions in 2008, PSB was one of the very few private Russian banks to accomplish 2 Eurobond issues (in January and July) and 2 syndicated loans (in April and August)
- In the absence of market opportunities for refinancing, repayment sources for the international public borrowings falling due in 2009 (US\$655 million, equivalent to 4.4% of PSB total liabilities at 30 September 2008) would include
 - PSB's liquid assets
 - Additional liquidity sourced from future loan repayments
 - Unused credit limits from the Russian authorities

Financial summary

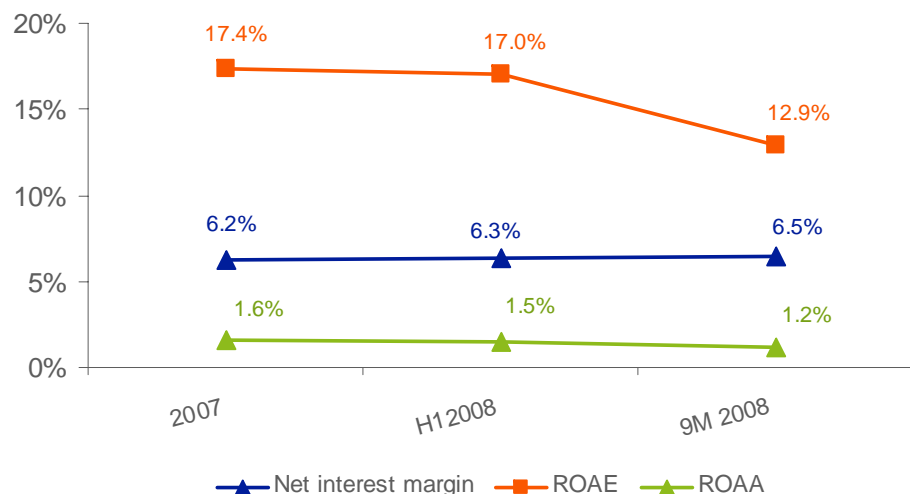


RUB mln	2007	H1 2008 (unaudited)	9M 2008 (unaudited)
Total assets	293,245	380,491	407,558
Gross loans to customers	213,563	285,349	329,914
Total deposits from customers	141,001	189,481	204,166
Shareholders' equity	27,682	35,682	36,178
Net interest income	12,163	9,401	15,472
Net fee & commission income	2,373	1,807	3,249
Operating income	15,617	11,969	19,998
General & administrative expenses	8,010	5,518	8,702
Net profit	3,705	2,563	3,118
<i>Profitability & Efficiency Ratios</i>			
ROAE	17.4%	17.0%	12.9%
ROAA	1.6%	1.5%	1.2%
Cost to income ratio	51.3%	46.1%	43.5%
<i>Liquidity Ratios</i>			
Customer deposits / Net loans	67.7%	68.4%	64.2%
<i>Asset Quality Ratios</i>			
Loan loss reserve / Gross loans	2.4%	2.9%	3.7%
<i>Capitalization Ratios</i>			
Total capital adequacy ratio	13.5%	12.3%	12.2%
Tier 1 ratio	9.4%	9.4%	8.9%

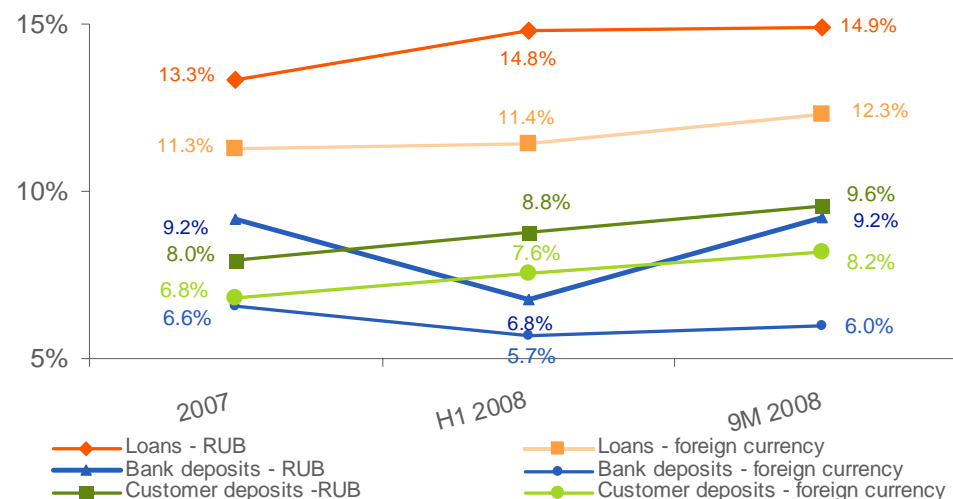
Profitability: safety margin through solid revenue generation



Key profitability indicators



Effective interest rates

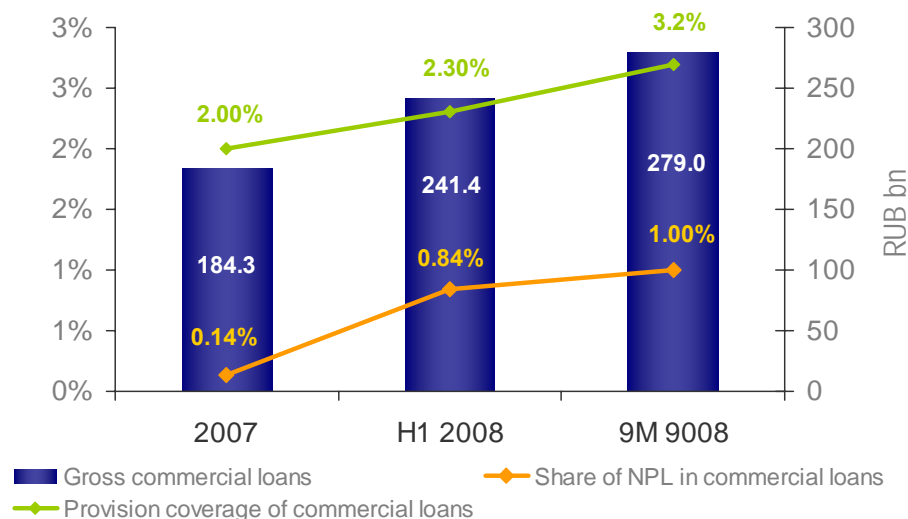


- Growth in interest income on customer loans due to lending expansion in May-August and increased interest rates on lending
- Strong increase in fees and commissions in Q3 2008, driven by investment banking and documentary operations, including those originated from the newly acquired business with a major Russian oil transportation company Transneft, as well as solidly growing money transfer fees
- Net interest margin has benefited from credit tightening across the Russian banking sector (which caused increased demand for loans) and increased risk premiums in lending (resulting from higher default rates expected in crisis times)
- Operating income increased by 67% to RUB 20.0 billion (US\$ 792 million) in Q3 2008, as solid growth in net interest income and fees and commissions overcompensated net loss on financial instruments at fair value through P&L
- PSB effectively managed its overheads (cost-to-income ratio improved to 43.5%, down from 51.3% for 2007)

Commercial loan quality snapshot (corporate & SME loans)

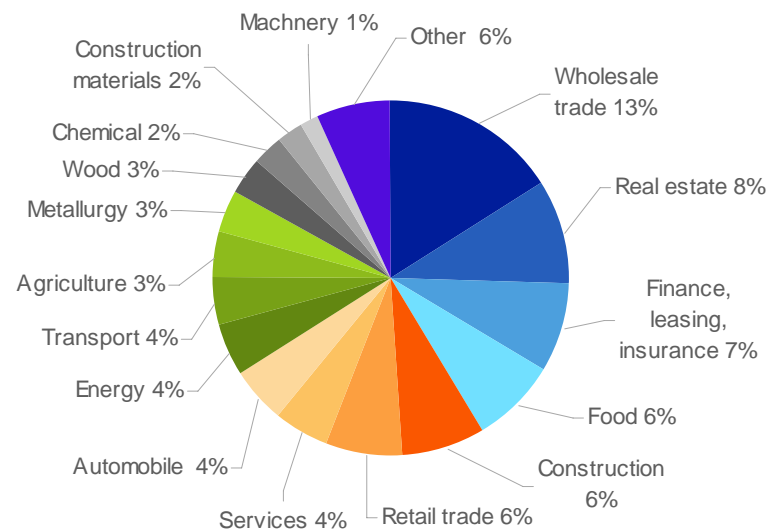


Impairment provision and NPL



Note: NPL are loans in arrears for 90 days and more, incl. principal and interest, and other loans classified as non-performing by PSB management

Economic sector concentration (9M 2008)



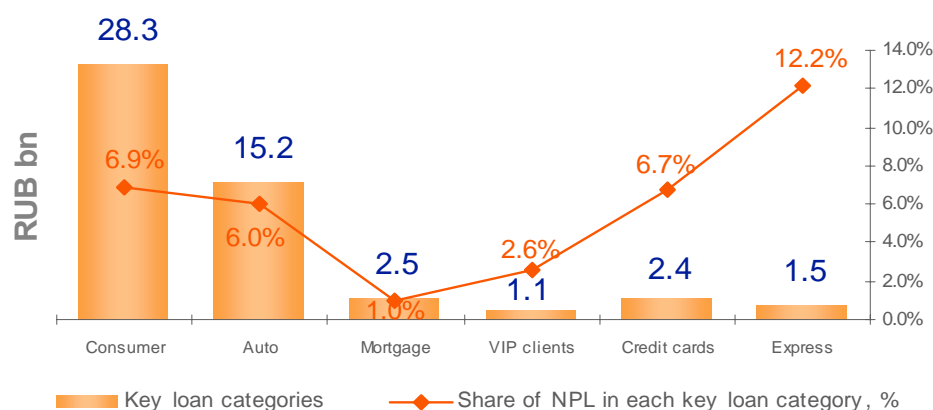
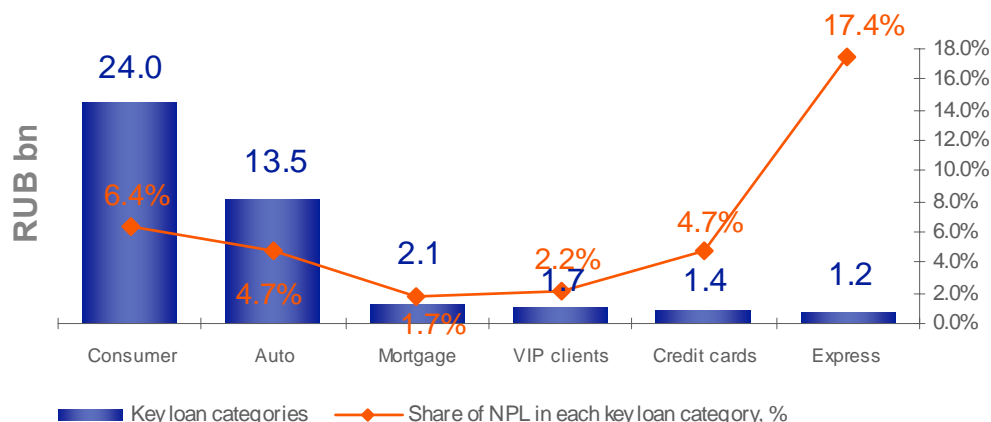
- 16% loan growth in Q3, the same pace as in Q2 (Q1: 14%); sharp reduction of loan growth expected for Q4 2008, leading to “technical” increase of the NPL proportion
- In Q3 commercial NPL rose by 38% or by RUB 772 million (US\$ 31 million) to RUB 2.8 billion (US\$ 111 million)
- Provision for impairment of corporate loans increased by RUB 3.3 billion (US\$ 131 million) compared with 30 June 2008, mostly due to estimated negative implications of the credit crunch on asset quality and related cashflows
- To tackle potential loan quality issues, PSB uses stress-testing and requests additional collateral from existing borrowers
- Increased provisioning rates in industries with higher-than-average credit risk estimation (incl. finance, construction and development, automotive and agriculture)

Retail loans: negative dynamics in the aftermath of rapid expansion



Retail loans & NPL by product – 30 June 2008

Retail loans & NPL by product – 30 September 2008

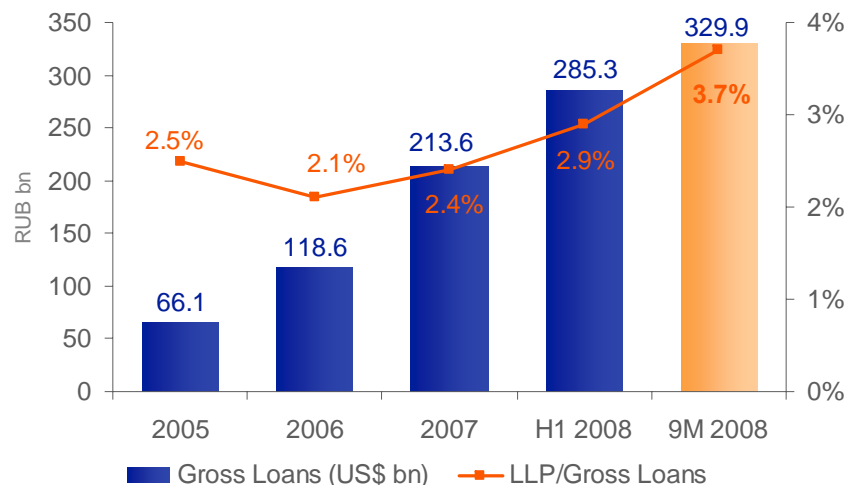


Note: NPL are loans in arrears for 90 days and more, incl. principal and interest, as well as other loans classified as non-performing by PSB management

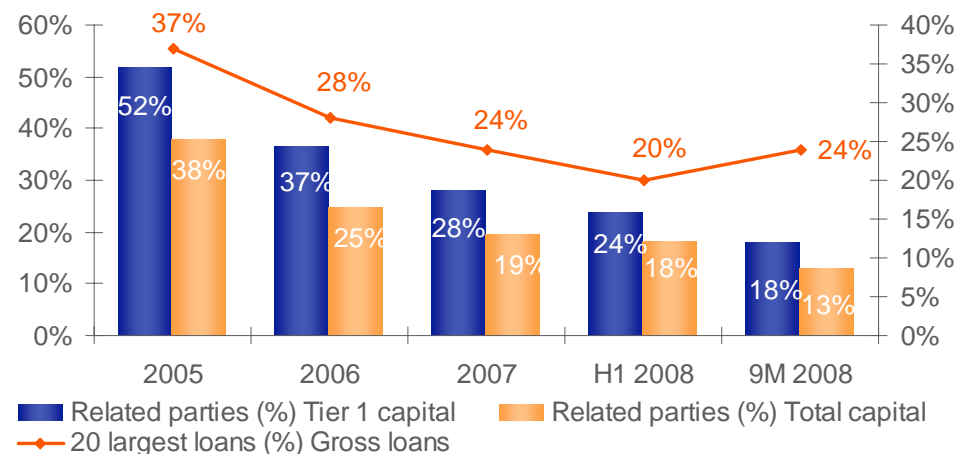
- In Q3 2008, non-performing retail loans rose by 28% or by RUB 717 million (US\$ 28 million) to RUB 3.3 billion (US\$ 131 million), and accounted for 6.4% of retail loans, up from 5.8% at end-June 2008.
- Provision for impairment of retail loans increased by 21% or by RUB 557 million (US\$ 22 million)
- At 30 September 2008 provision coverage of retail NPLs was 100% (slightly down from 107% at end-June 2008)
- PSB took steps to reverse negative trends in the quality of retail loans, incl. lower lending limits in branches and tighter credit underwriting with regard to new clients and collateral valuation
- However, further increase of the NPL proportion is expected over the near term against the background of lending slowdown and anticipated increase in social defaults due to lay-offs in various economic sectors

Other loan portfolio characteristics

Provisioning level (%) Gross loans



Related-party exposure and single-party concentration

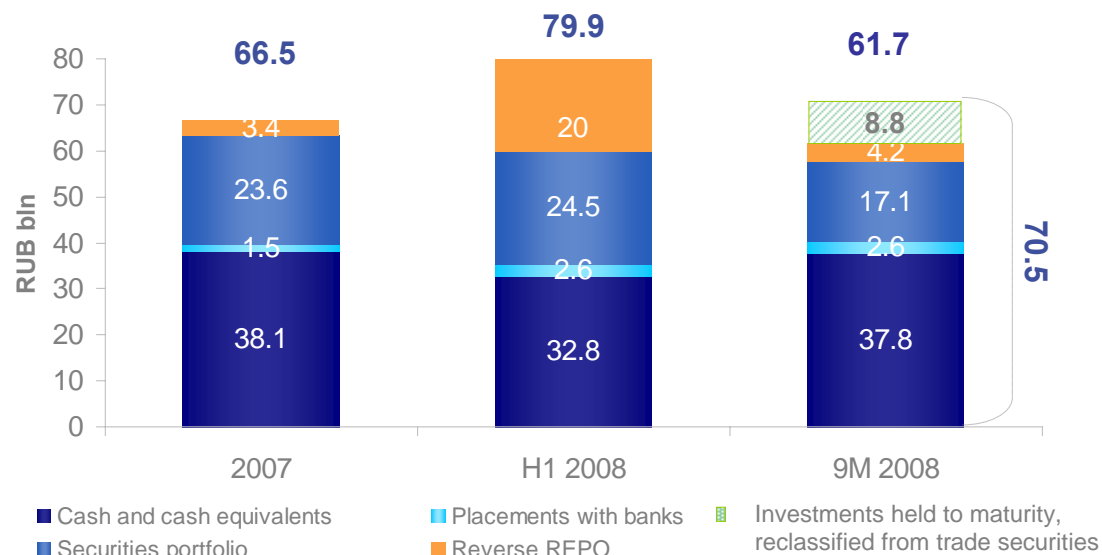


- Impairment charge for potential credit losses on total loan portfolio increased by 136% or by RUB 4.0 billion (US\$ 158 million), representing the largest negative P&L driver in Q3 2008
- This was partially driven by an increase in total NPL which rose by 32% to RUB 6.0 billion (US\$ 238 million), and accounted for 1.8% of gross loans, up from 1.6% at 30 June 2008
- Provision coverage of NPL increased to 201%, up from 182% at 30 June 2008
- Overall, increased provisioning reflects PSB's more conservative stance towards potential asset quality changes rather than an actual increase in NPL

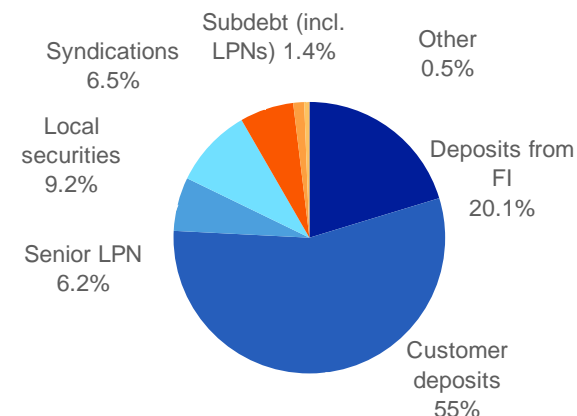
Liquidity and funding: short- to medium-term priorities



Liquid assets composition



Funding mix – 30 September 2008

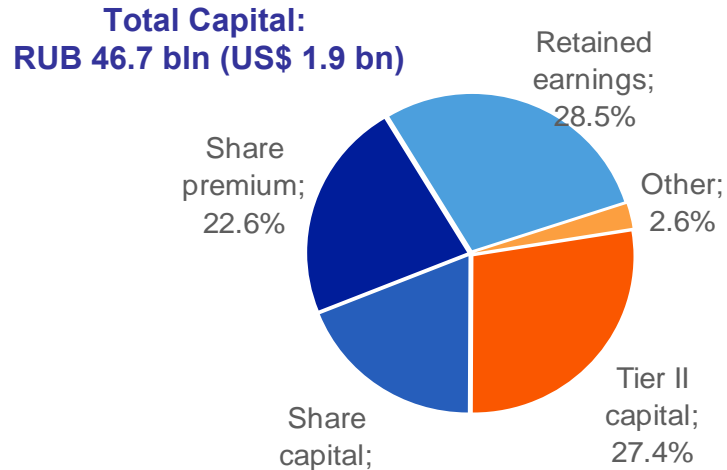


Total Liabilities: RUB 371.3 bn (US\$ 14.7 bn)

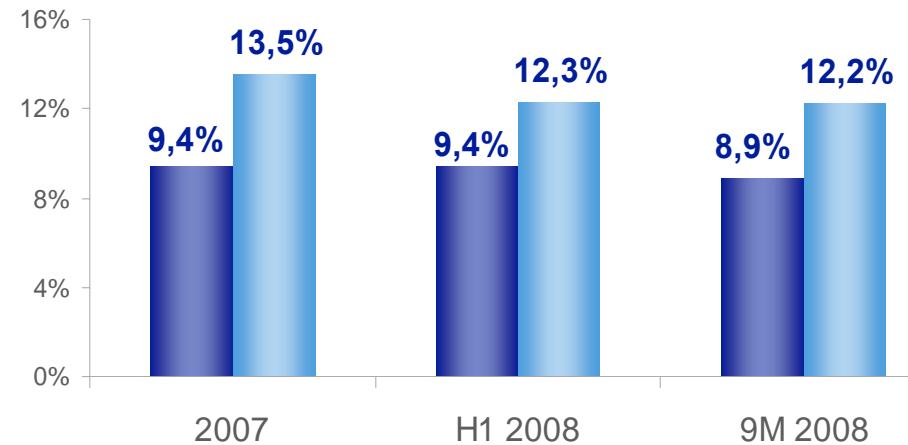
- Decline in liquid assets in Q3 is partially attributable to the reclassification of securities into the “held to maturity” portfolio, which amount to RUB 6.8 billion (US\$ 270 million)
- Investments held to maturity (RUB 8.8 billion (US\$ 349 million)), mainly comprised of Russian federal government bonds (OFZ), can be pledged under repo transactions or collateralised credit arrangements with the CBR, should the need arise
- The proportion of liquid assets held in cash and cash equivalents has increased, representing an additional safety “cushion” for crisis-related volatilities, such as deposit withdrawals
- Liquidity planning tools used by Treasury include stress-testing and cashflow reporting, the frequency of which has intensified since the credit crunch; internal targets for liquidity ratios have been adjusted to provide for the increased volatility
- With restrictions imposed on lending volumes, the loan portfolio has become an additional source of liquidity generation

Capital: generation through profit and shareholders support

Capital breakdown (under Basel Accord)



Capital adequacy as per Basel Accord



Sources of capital in Q3 2008:

- Two subordinated loans from the parent company in August and September (total of US\$ 110 mln)
- Net profit of RUB 3.1 bn (US\$ 122 mln)
- New share issue underway in Q4 2008, *pro rata* placement among the current shareholders
- Continuous policy of full profit retention
- Relatively low level of Tier 2 capital leaves scope for increases
- Preliminary agreements with VEB on receiving subordinated loan upon the completion of the share issue
- Limited asset growth coupled with capital increases and decline in risk-weighted assets (following additional liquidity released through loan repayments) should result in a higher level of BIS capital adequacy going forward

Q&A session

Thank you for your participation!